

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1774-01
Bill No.: HB 767
Subject: Taxation and Revenue - General; Revenue Dept.; Federal - State Relations
Type: Original
Date: March 30, 2011

Bill Summary: Would authorize the Department of Revenue and the Office of Administration to enter into collection and offset of indebtedness agreements with the United States government and other states.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$8,868,440	\$7,168,440	\$5,368,440
Total Estimated Net Effect on General Revenue Fund	\$8,868,440	\$7,168,440	\$5,368,440

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Legal Defense and Defender	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor**, the **Office of the State Treasurer**, the **Office of the State Auditor**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Missouri House of Representatives**, the **Department of Agriculture**, the **Department of Corrections**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Higher Education**, the **Department of Public Safety**, **Capitol Police**, **Division of Alcohol and Tobacco Control**, **Division of Fire Safety**, **Missouri Veterans Commission**, and **State Emergency Management Agency**, the **Missouri Highway Patrol**, the **State Tax Commission**, the **Administrative Hearing Commission**, the **Missouri Lottery Commission**, the **Office of Prosecution Services**, the **Joint Committee on Administrative Rules**, the **Joint Committee on Public Employee Retirement**, and the **Missouri Consolidated Health Care Plan** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the Attorney General** assume that any potential costs arising from this proposal could be absorbed with existing resources.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume the proposed legislation would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would allow the Department of Revenue and the Office of Administration to enter into a reciprocal collection and offset program with the federal government. Total State Revenue would increase by the amount of collections, and General Revenue would increase by the amount deposited into this fund. BAP deferred to the Department of Revenue for estimates of the costs and increased revenue collections resulting from this operational efficiency program.

Officials from the **Department of Conservation** (MDC) assume this proposal would authorize the Department of Revenue and the Office of Administration to enter into collection and offset of indebtedness agreements with the United States government and other states. The proposed legislation would not only authorize additional collection procedures for money owed to the state, but also includes a reciprocal collection and offset agreement with the federal government.

MDC officials assume there would be an unknown fiscal impact on their organization. MDC officials assumed the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal. MDC officials also noted that their organization could refer outstanding debt to the Department of Revenue for collection, but assumed that collections of that nature would be minimal.

Oversight assumes this proposal, if implemented, could result in additional collections of sales taxes for the Conservation Commission Fund, but assumes those additional collections would be minimal and will not include them in this fiscal note.

Officials from the **Department of Mental Health** (DMH) stated that this proposal would authorize the Department of Revenue and the Office of Administration to enter into collection agreements with the federal government and with other states. The agreements would allow the offset of state and federal tax refunds and other payments to vendors, contractors, and individuals who have a debt owed to the State of Missouri or the federal government.

ASSUMPTION (continued)

DMH officials also stated that since the legislation deals with debts owed to the state as a whole, it is impossible for DMH to determine the fiscal impact to their organization, if any. It is also unknown at this time, what revenues could be recovered by the Department of Revenue under this process. DMH officials deferred to the Office of Administration and the Department of Revenue for a determination of fiscal impact.

Oversight assumes that any significant collections for the Department of Mental Health which would result from the implementation of this proposal would be due to the General Revenue Fund and included in the Department of Revenue estimate of potential collections.

Officials from the **Office of the Missouri State Public Defender** (MSPD) assume that indebtedness agreements with the United States Government and/or other states should result in greater collections from past public defender clients who have an outstanding Public Defender lien against them. The Missouri State Public Defender has participated in the Department of Revenue's Debt Offset program for greater than 20 years. It is, by far, the single greatest source of collections from our past clients. In Fiscal Year 2010, we recovered \$1,660,501 from past clients. Of this amount, \$1,053,148 or 63% was from the DOR debt offset program. It is difficult to estimate the net collections this proposed legislation would generate.

Oversight assumes that if this proposal was implemented, the agreement with the federal government could be implemented in FY 2012 and could result in additional FY 2012 collections. Therefore, Oversight will indicate unknown additional revenue to the Legal Defense and Defender Fund for this proposal for FY 2012, FY 2013, and FY 2014.

Officials from the **Department of Transportation** (MODOT) noted that this proposal would create a new statute that would allow the Director of Revenue and the Commissioner of Administration to jointly enter into a reciprocal collection and offset of indebtedness agreement with the federal government. The proposal would also allow the Director of Revenue and the Commissioner of Administration to enter into similar reciprocal agreements with other states.

MODOT officials stated that the potential fiscal impact to their organization would depend on the amount of debt collected by the federal government that is state revenue derived from highway users.

ASSUMPTION (continued)

Oversight assumes this proposal, if implemented, could result in additional collections of sales taxes and other amounts due to funds dedicated to the Department of Transportation, but assumes those additional collections would be minimal and will not include them in this fiscal note.

Officials from the **Department of Revenue** (DOR) assume this proposal would authorize the Director of Revenue and the Commissioner of Administration to enter into a reciprocal collection and offset of indebtedness agreement with the United States government.

- * Under the agreement, a federal official could certify to the state of Missouri the delinquent nontax liability owed to the United States government, and request that the state of Missouri withhold any refund and vendor payment to which the person is entitled. The proposal would only become effective if the laws of the United States allow the state of Missouri to enter into a reciprocal agreement with the United States, under which the federal official would be authorized to offset federal payments to collect delinquent tax and nontax debts owed to the state and provide for the payment of the amount withheld to the state. The federal government could retain a portion of the proceeds of any collection setoff as provided under the agreement.
- * Under the agreement, DOR would certify to a federal official the existence of a delinquent tax or nontax liability due the state owed to any state agency, request that the federal official withhold any eligible vendor payment to which the person is entitled, and would provide for the payment of the amount withheld to the state.
- * The Director of Revenue and the Commissioner of Administration would also have the authority to enter into reciprocal agreements with any other state to offset any nontax debt from state tax refunds and payments otherwise due to vendors and contractors.

DOR officials estimated additional revenues of \$9 million in FY 2012, \$7.3 million in FY 2013, and \$5.5 million in FY 2014. The DOR estimate of costs for this program included postage of \$37,400 for DOR and \$660 for the Office of Administration, and fees of \$93,500 to the federal government. The DOR response included costs only for FY 2012.

Oversight will use the DOR estimate of collections for this program, and will indicate the same expenses for FY 2012, 2013, and 2014.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Additional Revenue</u> - reciprocal debt offset program	<u>\$9,000,000</u>	<u>\$7,300,000</u>	<u>\$5,500,000</u>
<u>Cost</u> - Department of Revenue and Office of Administration			
Postage	(\$38,060)	(\$38,060)	(\$38,060)
Collection charges	<u>(\$93,500)</u>	<u>(\$93,500)</u>	<u>(\$93,500)</u>
Total	<u>(\$131,560)</u>	<u>(\$131,560)</u>	<u>(\$131,560)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$8,868,440</u>	<u>\$7,168,440</u>	<u>\$5,368,440</u>
LEGAL DEFENSE AND DEFENDER FUND			
<u>Additional Revenue</u> - reciprocal debt offset program	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LEGAL DEFENSE AND DEFENDER FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation would authorize the Department of Revenue and the Office of Administration to enter into collection and debt offset agreements with the United States government, and with other states.

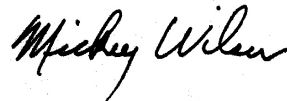
This legislation is not federally mandated, would not duplicate any other program, and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Governor
Office of the Attorney General
Office of the Secretary of State
Office of the State Treasurer
Office of the State Auditor
Office of State Courts Administrator
Missouri Senate
Missouri House of Representatives
Office of Administration
 Division of Budget and Planning
Department of Agriculture
Department of Conservation
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education
Department of Mental Health

SOURCES (continued)

Department of Public Safety
 Capitol Police
 Division of Alcohol and Tobacco Control
 Division of Fire Safety
 Missouri Veterans Commission
 State Emergency Management Agency
Missouri Highway Patrol
Department of Revenue
State Tax Commission
Department of Transportation
Administrative Hearing Commission
Missouri Lottery Commission
Office of the Missouri State Public Defender
Office of Prosecution Services
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
Missouri Consolidated Health Care Plan



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